

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7119

BILL NUMBER: HB 1521

NOTE PREPARED: Jan 10, 2013

BILL AMENDED:

SUBJECT: Tax increment funds.

FIRST AUTHOR: Rep. Smith M

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that projects financed after June 30, 2013, by various tax increments must be located within the area in which the tax increment is realized.

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* Property taxes charged on new AV in an allocation area are allocated to the redevelopment authority and the allocated AV is excluded from the tax base that is used to calculate property tax rates. If the amount of allocated assessed value in a TIF area exceeds the amount necessary to generate sufficient funds to meet obligations, then the excess AV must be reallocated to the affected taxing units under current law. The reallocation of AV to the taxing units reduces tax rates and increases revenues in cumulative funds. If fewer expenses are paid with TIF revenues under this bill, the amount of excess AV available for reallocation could be increased.

Background: Generally under current law, TIF proceeds may be used to pay for local public improvements or structures if they are *physically located in or connected to* the allocation area where the TIF proceeds were generated.

Regarding military base reuse activities, redevelopment authorities may currently reimburse another governmental body from a TIF allocation fund for expenditures made for local public improvements or structures that are *located in or serve or benefit* the allocation area.

This bill would restrict expenditures made by a redevelopment commission, metropolitan development commission, or a military base reuse authority to projects that are *physically located* within:

- 1) An allocation area;
- 2) An economic development project district;
- 3) An economic development tax area; or
- 4) A certified technology park.

The restriction would not apply to projects that have financing approved prior to July 1, 2013. This provision would reduce the possible uses of TIF revenue.

State Agencies Affected:

Local Agencies Affected: Redevelopment commissions; Metropolitan development commission; Military base reuse authorities.

Information Sources:

Fiscal Analyst: Bob Sigalow, 317-232-9859.